



**MURRAY CITY MUNICIPAL COUNCIL
COMMITTEE OF THE WHOLE**

The Murray City Municipal Council met as a Committee of the Whole on Tuesday, October 19, 2010, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

Members in Attendance:

Darren V. Stam	Council Vice Chairman
Jim Brass	Council Member
Jared A. Shaver	Council Member
Krista Dunn	Council Member

Member Excused:

Jeff Dredge	Council Chairman
-------------	------------------

Others in Attendance:

Doug Hill	Mayor Pro Tem
Jan Wells	Mayor's Chief of Staff
Frank Nakamura	City Attorney
Michael D. Wagstaff	Council Executive Director
Janet M. Lopez	Council Office
Anne vonWeller	Public Services
Greg Walkenhorst	Waste Management
Richard Hamik	Ace Disposal
Dawn Beagley	Ace Disposal
Jennifer Brass	Citizen
Carol Heales	City Recorder
Tim Tingey	Comm & Econ Dev Director
Kery Oldroyd	Moreton & Company
Gary Ogden	Moreton & Company
Pat Wilson	Finance Director

Vice-Chairman Stam called the meeting to order at 5:30 p.m. and welcomed those in attendance. He announced that Mr. Dredge was not able to be present and asked to be excused.

Mr. Stam asked for a motion on the minutes from the Committee of the Whole meeting held on September 21, 2010. Mr. Brass moved approval as written. Mr. Shaver seconded, and the motion carried 4-0.

Business Item #1 - City Insurance Update, Pat Wilson and Kery Oldroyd

Ms. Wilson reminded the Council of the risk management study that was conducted a few months prior by Bickmore Risk Services. As the department has proceeded with the suggestions from that study, a new insurance broker consultant was chosen after going through the RFP process. Moreton and Company have just recently completed marketing the City liability and property insurance.

Ms. Wilson introduced Kery Oldroyd and Gary Ogden from Moreton and Company who would give the Council an update of their findings.

Mr. Oldroyd mentioned that Moreton and Company was appointed the City property, liability, and workman's compensation broker earlier in the year. Marketing of the insurance has been completed, and it is in place currently. Some changes were made that he planned to explain to the Council. He said that he had a chance to visit with the Murray department heads to do some physical inspections. He noted that the employees were very accommodating, and gracious in sharing their time to fill out applications.

Mr. Ogden gave some background on Moreton and Company, which is locally owned, and has operated from a location on South Temple since 1910. It is the largest independent insurance agency in the State of Utah. Gross written premiums exceeded \$500 million the previous year. The public entity department has been in operation for more than 60 years. Their clients are in Utah, Idaho, and Colorado. The company has received an award for best practices by insurance peers for the largest insurance-rated agency in Utah.

Mr. Oldroyd reviewed the study by Bickmore. Insurance questions included:

- Is your insurance adequate?
- Are the deductibles appropriate?
- Are the costs reasonable?
- Does the City have an effective organization for risk management?

The analysis noted the following points: The earthquake limits may be too low. There is some loss of earnings/income, especially in power, along with other items.

Action items were developed for the City to act on quickly:

- Conduct an insurance broker RFP (Moreton was selected last July)
- Brokers' tasks were to:
 - Consider and implement issues determined in the Bickmore analysis
 - Provide some further insight
 - Take bids from insurers

Mr. Ogden explained that Moreton did a comprehensive review and analysis of the Murray insurance programs. All of the policies in place were examined, and all the

exposures were considered. The company looked at the limits, terms, and coverage. An analysis was done on premiums paid, and deductibles that made economic sense.

As a part of the process Moreton obtained all the policies underwriting information from the various departments, who were great to return data on a timely basis. Insurance was marketed to several insurance carriers, and quotes were received on various lines or coverage from various carriers. It was important, in analyzing the carriers, that they are stable insurance companies that are very well capitalized to make sure they would be around to pay claims in the long term.

Cost versus benefit analysis was completed on deductibles, and overall cost of the programs, Mr. Ogden explained. Proposals were presented, recommendations made, and then implemented, and the company was able to find coverage based on the analysis, in cooperation with Ms. Wilson and the Moreton team.

Mr. Ogden communicated the changes to the Murray insurance program:

- Increased earthquake limits from \$35 million to \$50 million, as recommended by Bickmore and Moreton analysis.
- Increase the building ordinance coverage.
- Coordinated insurance policies to make the terms, conditions, limits, and expirations consistent. The goal here was to bring the premium due date in line with the City cash flow.
- Increased the crime limit.
- Increased the liability limits from \$5 million to \$10 million, based on completed analysis.
- Decreased deductibles on some vehicles, particularly fire trucks, which were cut in half.
- Liability effective coverage date was adjusted.
- Premiums were reduced by about \$15,000.

Mr. Oldroyd pointed out that there are a few open items that will be dealt with.

- Centralizing and coordinating claims, including solutions in software options.
- Still reviewing income analysis in the power department
- Inspections and loss control
- Property evaluation analysis to insure that the amount of coverage on properties is sufficient

Ms. Wilson commented that it was discovered there was not a good loss claim history for the broker as he went into marketing, therefore, the new risk management fund will help to locate claims in the future.

Mr. Brass was very happy to hear about the savings to the City based on Moreton's efforts. Increased coverage with a drop in deductible, and drop in premium is very favorable. Others agreed.

Mr. Oldroyd stated that the liability for loss, especially to the power department, had great potential. Ten million dollars coverage makes the broker, as well as, the City more comfortable.

Ms. Wilson added that there are other insurance issues that Moreton is continuing to analyze. How to organize the insurance duties may be adjusted, as it is currently handled by several departments. The City is experiencing a few more claims than in the past, which are being tracked in the risk management fund.

Mr. Shaver asked if this would be centralized with others having access, or just how she sees the organization of policies. Ms. Wilson said that she perceives having the attorney's office learn the package first, although it is fairly centralized. The package does have more capability than just tracking insurance losses. Mr. Nakamura pointed out that it is presently used in water claims, and is very effective. The reporting system is excellent, if it can be patterned after the water fund, and is reasonably priced.

Mr. Shaver asked if everything begins going through the attorney's office, is there enough time and personnel to handle it. Mr. Nakamura said that, although, he may start using the program, it may not be centralized in his office. Simplification of processes is something the Council is interested in seeing happen, to eliminate duplication of work that could be done centrally.

Mr. Nakamura clarified that there has been an increase in claims, however, that does not mean they all have merit. They do need to have some research done on each one.

Mr. Brass asked what the risk is to the power department other than loss of income. Mr. Oldroyd responded that it could be property damage or bodily injury to someone else, based on a line down or a power surge, which is a liability issue.

Ms. Wilson expressed that her department has not finished implementing suggestions by Bickmore. She feels confident having Moreton to help when questions arise.

Business Item #2 - Solid Waste Bids and Alternatives, Doug Hill and Anne vonWeller

Mr. Hill explained that the contract with Ace Disposal for solid waste collection ends on December 31, 2010. A few weeks ago, the City went out to bid, asking for pricing on various services, including existing and new services. The staff has discussed the bids with Mayor Snarr, and he recommends to the Council that the City not change any services. He is not interested in adding new solid waste offerings. Regardless of the services offered, a fee increase will be necessary to residents to cover the solid waste enterprise fund. At the current rate, the fees collected will not keep that fund in good condition. By next month, a new rate ordinance will be proposed

to the Council for consideration. Mr. Hill stated that ultimately it is the Council's decision on the budget, and his department would like an idea of how to go forward following this presentation. Adding curb side pick up of green waste or going to every week pick up of recycling would require the department to go back and work up a rate to cover those services.

Ms. VonWeller indicated that the front sheet on the packet distributed shows the bid results from the RFP per can. The chart shows that Ace is the lowest for the first can, additional can, and recycle cans.

Mr. Shaver asked what the 10-year bid involves with Allied. Ms. vonWeller responded that Allied gave an optional proposal for a 10-year contract, however, because only a 5-year bid was requested, it was discounted.

On the second sheet you will see the annual aggregate amount for first can, additional can, recycle every other week, roll-off dumpsters, and pick up for City properties. There is a surcharge for fuel estimated, if it went up to \$3.50 per gallon. This is not a fair comparison, because every provider used a different methodology. This is just a rough estimate of what it might be. There is a total for each company, and the last line on the table shows the current charges. Based on current service only, the cost increase is about \$128,000 annually.

Ms. vonWeller noted some additional services that the Council might want to consider. In the center of the page, there is a table showing costs for green waste from each vendor, however, there would be additional cost of new cans and an increase from TransJordan Landfill. The new cans would cost a substantial amount of money. Waste Management gave the City a discounted rate bid, if all the services were provided by them.

On page three, Ms. vonWeller listed the actual revenues for fiscal 2009-2010 at \$823,200, and the Budget for fiscal 2010-2011 \$843,200. This shows \$20,000 to be covered by reserves.

The revised annual costs for the current level of service shows:

- Increase in contractor costs of \$130,000
- Increase in tipping fees of \$15,000
- Increase in replacement of existing cans of \$20,000. The number of replacement cans being used is increasing. The warranty was for 14 years, which has now elapsed. Each can costs about \$63 with freight.
- Total increased cost of \$165,000

Fee recommendations:

- Raise rate for first can \$1.50 to \$8.00
7,800 cans x 1.50 x 12 months = \$140,400

- Raise rate for second can \$1.50 to \$5.50
4,500 cans x 1.50 x 12 months = \$81,000
- Total increased revenue = \$221,400
- Annual estimate to reserves = \$56,400

If the Council decided to add green waste pick up service to current services the revised annual costs for service would be:

- Increase in contractor costs of \$460,000
- Increase in replacement of existing cans of \$20,000
- New green waste cans of \$126,000
7,800 cans including five years of replacement
9,000 x \$70 = \$630/5 year lease purchase
- Total increased costs of \$606,000

Ms. Dunn asked if the green waste was figured based on Ace's bid or an average of all bids. Ms. vonWeller answered that it is an average. Also, she has learned that when green waste is offered, many of the second cans are returned.

Fee recommendations:

- Raise rate for first can \$6.50 to \$13.50
7,800 cans x 7.00 x 12 months = \$655,200
- Raise rate for second can \$4.50 to \$8.50
2,250 cans x 4.50 x 12 months = \$121,500
- Assume half will be returned
- Less 2,250 x 4.00 x 12 months = -\$108,000
- Total increased revenue of \$668,700
- Annual estimate to reserves \$62,700

Ms. Dunn asked about tipping fees at TransJordan. Ms. vonWeller said that if the City adds green waste pick up, there will be a savings because currently TransJordan does not charge for green waste. If Murray has the same percentage of green waste as West Jordan the tipping fees would decrease by about \$38,000. However, there is enough contamination in the green waste that another employee would be hired to pick out the contamination, which would be about \$25,000. There is also consideration to charge for green waste, therefore, for that reason, charges would be about even. As one of the member cities, Murray pays half of regular charges.

Mr. Hill commented that the advantage to green waste recycling is that it is not taken to the landfill. Mayor Snarr would say that he wants green waste in the landfill for the production of methane gas, which comes back to the City in the form of power. There are varying opinions on what is best.

Mr. Brass added that he recently learned just how Central Valley landfill gas plant packs the garbage. It is called entombment, a process where it is packed and

covered every night, dirt is put on top, packed and covered again, and essentially the compression is so tight that no air gets to it and there is no decomposition, consequently there is very little to no methane. How the landfill is loaded and what goes into it impacts the methane production.

Ms. vonWeller said that TransJordan does pack and cover, however, they do have a grid of pipes for air vents and then a negative pressure is done to pull the methane out.

Mr. Brass said that he could get rid of his second can if there were green waste pick up, therefore, he believes tipping fees would go down. Mr. Hill agreed.

Ms. vonWeller said that TransJordan likes the green waste in the landfill to help with the methane. Also, there is the consideration of capacity. She added that for those who want to be green in terms of carbon footprint, it is preferable to extract, and produce methane than to compost. Composting produces methane that is 23 times more harmful than carbon dioxide if it is pulled out.

Mr. Brass asked the term of the contract. Mr. Hill responded that it would need to be negotiated. The RFP requested a five-year contract with two one-year extensions.

Ms. Dunn asked about the bidding process. She wondered if all of the bidding agencies get to see the final results. Ms. vonWeller stated that they do.

Mr. Shaver pointed out that on the final page, the comparison to other cities shows that Murray charges far less than other municipalities and he wondered if that is because of our share of ownership in TransJordan. Ms. vonWeller responded that the City philosophy has been to just charge enough to cover the program. There has been no intention to build reserves. It has strictly been a fee for service charge. The landfill has not needed a lot of expansion yet. Murray spends about \$165,000 to \$180,000 in tipping fees each year. Without our ownership the amount would be twice as much. That makes a big difference in costs passed on to constituents.

Mr. Hill added that Murray City has received incredible bids, far less than other municipalities pay their waste haulers. As an enterprise fund, this department also pays for the green waste trailers. This gives people an alternative for that waste.

Mr. Shaver suggested that, as in the golf fund, we raised rates closer to other entities, yet still below them. In a budget shortfall, the reserve of \$56,000 per year will help, however, over the term of five years plus two years in extensions, costs, such as fuel, could escalate tremendously. He thought maybe the City should consider more of an increase based on the future needs.

Mr. Hill said that is a policy call for the Council to decide. He said the reserve in solid waste was about \$300,000 at the beginning of the fiscal year. That will be decreased each month, because current costs are not covered by rates. His personal

opinion is that with a reserve of about 15% in annual costs, it is not really necessary to build the reserve much higher. He believes in keeping the fees as low as possible, which is what the citizens would want, but at the same time have enough going into reserves to cover unforeseen costs, such as fuel prices. This is the illustration that has been prepared by Ms. vonWeller. An opportunity to reevaluate the enterprise fund would be conducted at the end of the five-year contract. Ms. vonWeller informed the Council that if fuel increased fifty cents per gallon, the cost would be about \$18,000 per year for the City.

The other option not computed in the analysis was a weekly recycling program, Mr. Hill noted. If the Council were interested in that it would be an additional cost, and an analysis would be necessary. There are only about 60 residents with two recycling cans, therefore, it is felt that most people are happy with the biweekly pick up.

Ms. Dunn said that people request every week pick up, however, they are not willing to pay more for that service.

Mr. Hill added that solid waste costs would double to add a green waste pick up program. Mayor Snarr is opposed to it for that reason. Costs, now, per household are \$6.50, and with the same service it will increase to \$8.00. To implement a green waste program the service costs would go up to \$13.50. He asked for feed back from the Council regarding this possibility.

Mr. Brass said that citizens have commented that they do not mind increases, however, they favor small increases, rather than large ones. Personally, Mr. Brass generates a lot of green waste because he has a large yard. He would like the City to consider this over time, and add this as a question on the next citizen survey. For example, would they be willing to pay X dollars more for this service.

Ms. vonWeller said that the RFP was crafted so that something could be added in the future. The Mayor's consideration, in addition to cost, was that the grass needs to go into the landfill for methane production.

There was more discussion about the production of methane and how effective it will be as packing and layering continues. Ms. vonWeller said she has some information on anaerobic breakdown that may be helpful. Mr. Brass said that it is something that needs to be considered further.

Mr. Hill would like to focus this discussion, because all the issues will not be resolved prior to negotiating a contract and having someone on board by January first. In preparing a rate schedule with the attorney's office, Mr. Hill asked if the Council would like something different than what has been recommended by the Mayor.

Ms. Dunn disclosed that she and other Council members received phone calls from providers other than Ace. The issue is that Ace put in a five-year bid, and after one and a half years, they no longer said they could honor that bid. They saw all the other

prior bids, and other providers feel that Ace can now raise their bid, and still remain below the others. It is felt that this is an unfair practice. Mr. Hill said that he has heard from the providers, as well. He asked Ms. Heales to address this, as to whether or not the bid process has been followed. Ms. vonWeller stated that Ace did follow the contract, because they negotiated an option to give 180 days notice after one year. Murray asked for a five-year contract, however, the City agreed to the 18 month firm price, which was substantially lower than the others. Therefore, the citizens were saved quite a bit.

Mr. Stam asked if the 18 month out clause would be negotiated into the next contract too. Mr. Brass said that if fuel surcharges are part of the contract then the contract should run the full length of the term negotiated. The surcharges are not an unreasonable part of the contract, and that covers increases in that area.

Ms. vonWeller said that the current contract has a fuel surcharge and a cost of living adjustment with a fixed reference standard from the Rocky Mountain Fuel Index from the Department of Labor. The other is a regular cost of living index, less fuel.

Mr. Brass mentioned bidding in good faith, and if a number is bid, just to get the contract, and try to change things later, then it is not fair. It costs the City money to do this every 18 months. Mr. Nakamura said that in the past, it has been talked about, and debated, and now it is before the City to look at the current bids. Ace had one year when they lost money, and the City agreed to a different term when the contract was negotiated. The current bid process has been followed.

Mr. Brass addressed Mr. Hill's question and responded that the City should continue the current service with the increases proposed. He does not feel Murray is in a position to begin green waste collection now.

Ms. vonWeller admitted that the bids were very competitive this year. Another issue that she wants to address in the new ordinance has to do with complaints that she receives. Some citizens leave their solid waste cans out on the street 24 hours a day, seven days a week. Included in the rate ordinance language will be a clause to bring in cans within 48 hours of pick up.

There being no additional time, Mr. Stam, refused any comments from solid waste providers, however, they could speak individually with Council Members.

Mr. Stam adjourned the meeting at 6:25 p.m.

Janet M. Lopez
Council Office Administrator`